

AUDIT REPORT

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA

DECEMBER 31, 2022

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
DECEMBER 31, 2022

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	3-5
Basic Financial Statements:	
Exhibit A - Statement of Net Position.....	6
Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position.....	7
Exhibit C - Statement of Cash Flows.....	8
Note to the Financial Statements.....	9-17
Other Reports Required by <i>Government Auditing Standards</i> <i>and by Office of Management and Budget (OMB) Compliance</i> <i>Supplement:</i>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance...	20-23
Schedule of Expenditures of Federal Awards.....	24
Notes to the Schedule of Expenditures of Federal Awards.....	24
Schedule of Findings and Questioned Costs.....	25-26
Summary Schedule of Prior Year Audit Findings.....	27

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wagoner County Rural Water District #6
Wagoner County, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Wagoner County Rural Water District #6, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wagoner County Rural Water District #6 as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Wagoner County Rural Water District #6 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wagoner County Rural Water District #6's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wagoner County Rural Water District #6's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wagoner County Rural Water District #6's ability to continue as a going concern for a reasonable period of time.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wagoner County Rural Water District #6's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 20, 2023, on my consideration of the Wagoner County Rural Water District #6's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and

April Adams CPA PLLC

PO Box 1355

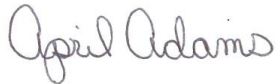
Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wagoner County Rural Water District #6's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wagoner County Rural Water District #6's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

April 20, 2023

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

<u>ASSETS</u>	<u>2022</u>
<u>Current Assets:</u>	
Cash and cash equivalents	\$ 241,959
Investments	41,354
Restricted Cash and Cash Equivalents:	
Capital Improvements	181,703
Short Term Assets	31,874
Debt Service Reserve	24,512
Accounts Receivable	44,791
Prepaid Expenses	8,360
Total Current Assets	<u>574,553</u>
<u>Capital Assets:</u>	
Land and Construction in Progress	3,428,403
Other Capital Assets, Net of Accumulated Depreciation	816,482
Total Capital Assets	<u>4,244,885</u>
 TOTAL ASSETS	 <u><u>\$ 4,819,438</u></u>
 <u>LIABILITIES & NET POSITION</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 27,958
Deposits Payable	17,215
Accrued Interest Payable	1,377
Current Portion of Long-Term Debt	69,278
Total Current Liabilities	<u>115,828</u>
<u>Long-Term Liabilities:</u>	
Notes Payable	2,792,522
Less: Current Portion of Long-Term Debt	(69,278)
Total Long-Term Debt	<u>2,723,244</u>
 TOTAL LIABILITIES	 <u>2,839,072</u>
 <u>NET POSITION:</u>	
Net investment in capital assets	1,452,363
Restricted for debt service	24,512
Restricted for other purposes	213,577
Unrestricted	289,915
 TOTAL NET POSITION	 <u>1,980,366</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 4,819,438</u></u>

The accompanying notes are an integral part of the basic financial statements

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

	<u>2022</u>
<u>Operating Revenues:</u>	
Water Sales	\$ 614,206
Other Income	33,467
Total Operating Revenues	<u>647,673</u>
<u>Operating Expenses:</u>	
Water purchases	162,855
Wages and related payroll expenses	195,796
Bank fees and bad debts	120
Director expense	4,550
Dues & subscriptions	5,232
Insurance	15,509
Professional fees	4,500
Licenses & permits	346
Machine Hire	48,741
Travel & Mileage Expense	12,659
Office expense	12,441
Postage	4,931
Rent	1,593
System Supplies & Repairs	86,782
Utilities & Telephone	11,099
Water Quality Testing	5,750
Miscellaneous expense	5,890
Bad Debt Expense	23,102
Depreciation Expense	52,374
Total Operating Expenses	<u>654,270</u>
Net Operating Income (Loss)	<u>(6,597)</u>
<u>Non-operating Income (Expense):</u>	
Interest Income	4,550
Interest Expense	(39,564)
Membership Income	29,200
Gain (Loss) on Disposal of Capital Assets	(1,500)
Total Non-operating Income (Expense)	<u>(7,313)</u>
Net Income (Loss) Before Contributions	(13,911)
Capital Contributions	<u>509,269</u>
Change in Net Position - Net Income (Loss)	495,358
Total Net Position, Beginning of Year	<u>1,485,008</u>
Total Net Position, End of Year	<u><u>\$ 1,980,366</u></u>

The accompanying notes are an integral part of the basic financial statements

**WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022**

	<u>2022</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 656,727
Payments to Suppliers for Goods & Services	(600,675)
Net Cash Provided (Used) by Operating Activities	<u>56,052</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(2,155,836)
Capital Contributions	509,269
Issuance of new memberships	29,200
Proceeds from disposal of capital assets	22,250
Loan Proceeds	4,509,976
Principal paid on long-term debt	(2,781,514)
Interest paid on Debt	(39,212)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>94,132</u>
<u>Cash Flows from Investing Activities:</u>	
(Increase) Decrease in Investments	(179)
Interest Income	4,550
Net Cash Provided (Used) by Investing Activities	<u>4,372</u>
Net Increase (Decrease) in Cash and Cash Equivalents	154,555
Cash & Cash Equivalents, Beginning of Year	<u>325,492</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 480,047</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (6,597)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	52,374
(Increase)Decrease in Accounts Receivable	8,754
(Increase)Decrease in Prepaid Insurance	(590)
Increase(Decrease) in Accounts Payable	1,811
Increase(Decrease) in Deposits Payable	300
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 56,052</u></u>

The accompanying notes are an integral part of the basic financial statements

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wagoner County Rural Water District #6 was incorporated under the Rural Water District Act of Oklahoma, for the purpose of acquiring water rights, and to build and acquire pipelines and other facilities and to operate for the purpose of furnishing water to serve the needs of owners and occupants of land located within the District.

The District is governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members.

The more significant of the government's accounting policies are described below:

A. Reporting Entity:

Wagoner County Rural Water District #6 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Fund Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with General Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g. revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

earned and expenditures are recorded when the liability is incurred.

C. Assets, Liabilities & Equity:

Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificate of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with a maturity of three months or less when purchased, to be cash and cash equivalents.

Inventory

The District's Inventory is not material and is not included in the financial statements.

Accounts Receivable

Accounts receivable consist primarily of charges for water sales. Management has established a provision for uncollectible accounts of \$29,811.02 for the current year.

Capital Assets

The water storage and delivery system and furniture and equipment are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

All reported assets are depreciated on the straight-line basis over their estimated useful lives ranging from five to fifty years.

Purchases of capital items in excess of \$500.00 that increase the capacity or operation efficiency or extend the

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

useful life of any asset are capitalized. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

The District has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

D. Revenues, Expenditures & Expenses:

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist of investment earnings, membership revenue, interest expense incurred on the District's notes payable and gains and losses on sales or the abandonment of long-lived assets.

E. Income Taxes:

The District is exempt from federal and state income tax.

F. Estimates:

The preparation of financial statements in conformity with accounting principles generally in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial Credit Risk

At December 31, 2022, the District held deposits of approximately \$521,402 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: 100% in Certificates of Deposit (\$41,354.30).

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - RESTRICTED ASSETS

The restricted assets include the following accounts:

Short Term Asset Account	\$ 31,874.09
Debt Service Reserve	\$ 24,511.50
Capital Improvements	<u>\$181,703.12</u>
Total	\$238,088.71

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended December 31, 2022, was as follows:

	12/31/21 Balance	Additions	Deductions	12/31/22 Balance
Capital assets not being depreciated:				
Land	\$ 26,299	\$ -	\$ -	\$ 26,299
Construction in Progress	1,294,604	2,107,500	-	3,402,105
Total capital assets not being depreciated	1,320,903	2,107,500	-	3,428,403
Other capital assets:				
Water Distribution System	1,647,792	8,171	-	1,655,964
Buildings & Equipment	253,976	40,165	(40,715)	253,426
Furniture & Fixtures	51,740	-	-	51,740
Total other capital assets at historical cost	1,953,509	48,336	(40,715)	1,961,130
Less accumulated depreciation for:				
Water Distribution System	(865,962)	(39,450)	-	(905,412)
Buildings & Equipment	(194,676)	(11,938)	16,965	(189,649)
Furniture & Fixtures	(48,602)	(986)	-	(49,588)
Total accumulated depreciation	(1,109,240)	(52,374)	16,965	(1,144,649)
Other capital assets, net	844,269	(4,037)	(23,750)	816,482
Total Capital Assets, net	<u>\$ 2,165,172</u>	<u>\$ 2,103,463</u>	<u>\$ (23,750)</u>	<u>\$ 4,244,885</u>

The current year additions include a new truck, new meters and the system project. The deduction was the truck that was traded in. Depreciation expense for the year was \$52,169.

NOTE 5 - LONG-TERM DEBT

The District had a short-term construction loan with F&M Bank that became long-term debt financed by USDA Rural Development once the system project was completed. The short-term loan matured August 25, 2022 with an interest rate of 2.19%. Interest only payments were due monthly until maturity. As of December 31, 2022, this loan has been paid in full.

The District has a real estate mortgage dated August 19, 2022 with USDA Rural Development. The promissory note is for the principal amount of \$3,300,800 with an interest rate of 1.50%.

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Payments of \$9,177 began on September 19, 2022 and continue until maturity of the note on August 19, 2062. As of December 31, 2022, loan proceeds of \$2,815,237 have been received.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Balance at Dec. 31, 2021	Additions	Deductions	Balance at Dec. 31, 2022
Note Payable - F&M	\$ 1,064,060	\$ 1,694,739	\$ (2,758,799)	\$ -
Note Payable - USDA RD	\$ -	\$ 2,815,237	\$ (22,715)	\$ 2,792,522
Total Long-Term Debt	<u>\$ 1,064,060</u>	<u>\$ 4,509,976</u>	<u>\$ (2,781,514)</u>	<u>\$ 2,792,522</u>

Year Ending December 31,	Mortgage Payable - USDA RD 91-01		
	Principal	Interest	Total
2023	\$ 69,278	\$ 40,846	\$ 110,124
2024	70,310	39,814	110,124
2025	71,358	38,766	110,124
2026	72,421	37,703	110,124
2027	73,499	36,625	110,124
2028-2032	384,248	166,372	550,620
2033-2037	413,731	136,889	550,620
2038-2042	445,476	105,144	550,620
2043-2047	479,656	70,964	550,620
2048-2052	516,459	34,161	550,620
2053-2054	196,085	2,753	198,838
Total	<u>\$ 2,792,522</u>	<u>\$ 710,036</u>	<u>\$ 3,502,558</u>

The amortization schedule above will be adjusted once all loan proceeds have been received from USDA RD.

NOTE 6 - RETIREMENT PLAN

The District offers a simple individual retirement plan for employees. The District has approved a 4% contribution to the employee's Simple IRA account each month. Employees are allowed to contribute a portion of their own salary each month along with the contribution made by the District. The District's contributions to the plan for December 31, 2022 were \$5,708.24.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks,

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - WATER PURCHASES

The District purchases its water from the Wagoner Public Works Authority.

NOTE 9 - SUBSEQUENT EVENTS

The District did not have any subsequent events through April 20, 2023, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2022.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Wagoner County Rural Water District #6
Wagoner County, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Wagoner County Rural Water District #6, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2023. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Wagoner County Rural Water District #6's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wagoner County Rural Water District #6's internal control. Accordingly, I do not express an opinion on the effectiveness of Wagoner County Rural Water District #6's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

identified. Given these limitations, during our audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that I consider to be significant deficiencies. Those deficiencies are listed as Items 22-01 and 22-02.

Compliance and Other Matters

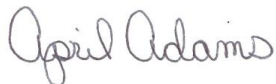
As part of obtaining reasonable assurance about whether the Wagoner County Rural Water District #6's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wagoner County Rural Water District #6's Response to Findings

Wagoner County Rural Water District #6's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Wagoner County Rural Water District #6's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April Adams CPA PLLC
Ponca City, Oklahoma

April 20, 2023

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Wagoner County Rural Water District #6

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Wagoner County Rural Water District #6's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wagoner County Rural Water District #6's major federal programs for the year ended December 31, 2022. The Wagoner County Rural Water District #6's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Wagoner County Rural Water District #6 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Wagoner County Rural Water District #6 and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Wagoner County Rural Water District #6's compliance with the compliance requirements referred to above.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Wagoner County Rural Water District #6's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Wagoner County Rural Water District #6's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user based on the report on compliance about Wagoner County Rural Water District #6's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Wagoner County Rural Water District #6's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Wagoner County Rural Water District #6's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

the purpose of expressing an opinion on the effectiveness of the Wagoner County Rural Water District #6's internal control. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wagoner County Rural Water District #6's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

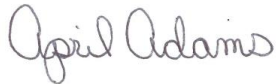
Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



April Adams CPA PLLC
Ponca City, Oklahoma

April 20, 2023

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

Schedule 1

Schedule 1

Federal Grantor/ Program Title	Federal CFDA No.	Contract Number	Award Amount	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
<u>Rural Development</u>				
Loan:				
Water and Waste Disposal Systems for Rural Communities	10.760	42-073-0730768098	\$ 3,300,800	\$ 2,815,237
Total Expenditures of Federal Awards			<u>\$ 3,300,800</u>	<u>\$ 2,815,237</u>

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Wagoner County Rural Water District #6 (the "District") under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in assets, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - FEDERAL DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - LOAN OUTSTANDING BALANCES

Water and Waste Disposal Systems for Rural Communities (10.760) - Balances outstanding at the end of the audit period were \$2,792,522.

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on Financial
Statements:

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

_____yes X no

Significant deficiencies identified that
are not considered to be material
weaknesses?

_____yes X none reported

Noncompliance material to financial
statements noted?

_____yes X no

Federal Awards

Internal control over major programs:
Material weaknesses identified?

_____yes X no

Significant deficiencies identified
that are not considered to be
material weaknesses?

_____yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
section 2 CFR 200.516(a)?

_____yes X no

Identification of major programs:

#10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between
type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL FINDINGS:

Item 22-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the District.

Response: The Board continues to be actively involved in the operations of the District.

Item 22-02: Customer Deposits

Criteria: It is the responsibility of the District to properly report and account for the financial information.

Condition: The Deposit Liability has not been accurately posted with all transactions.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the liability account at yearend. A Meter Deposit Ledger should be properly maintained so that an accurate liability amount can be reported.

Response: Due to the limited number of personnel, verification of the accuracy of the accounting records is not always possible.

COMPLIANCE FINDINGS:

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

WAGONER COUNTY RURAL WATER DISTRICT #6
WAGONER COUNTY, OKLAHOMA
SUMMARY STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

INTERNAL CONTROL FINDINGS:

Item 21-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the District.

Response: The Board continues to be actively involved in the operations of the District.

Item 21-02: Customer Deposits

Criteria: It is the responsibility of the District to properly report and account for the financial information.

Condition: The Deposit Liability has not been accurately posted with all transactions.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the liability account at yearend. A Meter Deposit Ledger should be properly maintained so that an accurate liability amount can be reported.

Response: Due to the limited number of personnel, verification of the accuracy of the accounting records is not always possible.

Current Status: Both findings still apply in the current year and are not expected to change at this time.